

The following sources were used in compiling this template:

1 All the new GRAP standards were reviewed to ensure that accounting policies are adequate and to ensure that all relevant disclosures are included in the notes as required by the GRAP standards.

2 The Specimen Municipal Financial Statements of National Treasury (2006) were used as a starting point for this template.

The process followed for preparation of this template was as follows:

1 Read through the GRAP standards / GRAP summaries one by one to compile a complete, updated and fully compliant set of accounting standards.

2 Searched for sample trial balances of municipalities and compiled a standardised "chart of accounts" (SCOA) based on the accounts most commonly applicable to municipalities, and meeting the disclosure requirements of GRAP.

3 The SCOA should be used by municipalities preparing financial statements, by linking their own trial balance figures to the SCOA (thus mapping the accounts). The financial statement template has formulae linked to the SCOA which will then pull through to the individual template sheets, effectively populating the disclosure on behalf of the user. The level of automation has been kept fairly simple at this stage and the user must still ensure that the data in the TB has been accurately portrayed in the AFS.

4 Read through the GRAP standards one by one to compile the notes to the financial statements in accordance with the required disclosure in the accounting standards.

Annual Financial Statements

for

SEKHUKHUNE DISTRICT MUNICIPALITY

for the year ended 30 June: **2013**

Province:

Limpopo

AFS rounding:

R (i.e. only cents)

Contact Information:

Name of Municipal Manager:	Mokoko MF
Name of Chief Financial Officer:	Mokono MM
Contact telephone number:	132 627 675
Contact e-mail address:	mokonon@sekhukhune.gov.za
Name of contact at provincial treasury:	Ntuli P
Contact telephone number:	
Contact e-mail address:	
Name of relevant Auditor:	Ms Molatelo Manaka
Contact telephone number:	
Contact e-mail address:	
Name of contact at National Treasury:	Obrey Nekhavambe
Contact telephone number:	012 315 5867
Contact e-mail address:	Obrey.Nekhavambe@treasury.gov.za

SEKHUKHUNE DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

Index	Page
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Accounting Policies	9-19
Notes to the Annual Financial Statements	20-52
Appendix A: Schedule of External Loans	53
Appendix B: Analysis of Property, Plant and Equipment	54-57
Appendix C: Segmental Analysis of Property, Plant and Equipment	58
Appendix D: Segmental Statement of Financial Performance	59

SEKHUKHUNE DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

General information

Members of the Council

Cllr Magabe MD	Mayor
Cllr Mathebe NC	Speaker
Cllr Nchabeleng TL	Member of the Maroyal Committee Committee
Cllr Seloane LM	Member of the Maroyal Committee Committee
Cllr Mahlo SA	Member of the Maroyal Committee Committee
Cllr Mokoka KSD	Member of the Maroyal Committee Committee
Cllr Matlala RM	Member of the Maroyal Committee Committee
Cllr Mamahlako M	Member of the Maroyal Committee Committee
Cllr Kgoloko M	Member of the Maroyal Committee Committee
Cllr Lekola M.F	Member of the Maroyal Committee Committee
Cllr Thamaga MM	Councillors
Cllr Mathale MJ	Councillors
Cllr Sihlangu TL	Councillors
Cllr Mabuza DL	Councillors
Cllr Mafefe OH	Councillors
Cllr Makuwa TH	Councillors
Cllr Mokwana LW	Councillors
Cllr Tala DL	Councillors
Cllr Makitla RJ	Councillors
Cllr Thobejane MD	Councillors
Cllr Tau LC	Councillors
Cllr Thokoane MJ	Councillors
Cllr Tshoma LH	Councillors
Cllr Masemola HR	Councillors
Cllr Mashabela MR	Councillors
Cllr Matjomane GD	Councillors
Cllr Moifo KH	Councillors
Cllr Mokhabela QE	Councillors
Cllr Lepota TJ	Councillors
Cllr Malatjie M	Councillors
Cllr Mahlobogoane ST	Councillors
Cllr Maitula BM	Councillors
Cllr Makgoga NH	Councillors
Cllr Marapi MS	Councillors
Cllr Somo O.S	Councillors
Cllr Skosana JJ	Councillors
Cllr Makobe J	Councillors
Cllr Malaka MS	Councillors
Cllr Mamekoa RS	Councillors
Cllr Maleka EK	Councillors
Cllr Shai AM	Councillors
Cllr Moropane NM	Councillors
Cllr Kgwedi JL	Councillors
Cllr Ratau MF	Councillors
Cllr Mamogobo S	Councillors
Cllr Esson BA	Councillors
Cllr Phala NT	Councillors
Cllr Maesela MG	Councillors

Municipal Manager

Mokoko MF

Chief Finance Officer

Mokono MM

Grading of Local Authority

High Capacity and Grade 4 municipality

Auditors

Auditor-General

Bankers

Standard bank

SEKHUKHUNE DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

General information (continued)

Registered Office: 3 Wes Street
Groblersdal

Physical address: 470
3 Wes Street
Groblersdal
470

Postal address: Private Bag X8611
Groblersdal
470

Telephone number:

Fax number:

E-mail address:

SEKHUKHUNE DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
 for the year ended 30 June 2013

Approval of annual financial statements

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2013 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the municipality's annual financial statements.

The annual financial statements set out on pages 5 to 46, which have been prepared on the going concern basis, were

SEKHUKHUNE DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

Accounting Officer's Report

The accounting officer submits her report for the year ended June 30, 2013.

1. Review of activities

Main business and operations

The municipality is engaged in government works. The municipality operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of operations.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name
MF Mokoko

5. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct (the Code) laid out in the King Report on Corporate Governance for South Africa 2009. The accounting officer discuss the responsibilities of management in this respect, at management meetings and monitor the municipality's compliance with the code on a three monthly basis.

Councillors

The Council

- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations,
- effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;

☐ is of a unitary structure comprising:

Executive Mayor and Speaker

The roles of the Speaker and Executive Mayor are separated with responsibilities divided between them so that no individual has unfettered powers of discretion

Remuneration

The remuneration of the Accounting Officer, and the directors are determined by council.

Salaries and allowances of Councillors, loans made to Councillors if any, and payments made to Councillors for loss of office, if any, as disclosed in **Note 28** of these financial statements are within Upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act.

Council meetings

Council has met on thirteen separate occasions during the financial year. Council meetings are scheduled to take place atleast four times per annum.

Council meetings are open to the public..

Audit committee

Mr Mokwele Moloto was the chairperson of the audit committee. The committee met four times during the financial year and held three special meeting to review matters necessary to fulfill its role.

In terms of Section 166 of the Municipal Finance Management Act, the municipality must appoint members of the audit committee. Notwithstanding that non-executive directors appointed by the parent municipality constituted the municipal entities' Audit Committees, National Treasury policy requires that parent municipalities should appoint further members of the municipality's audit committees who are not directors of the municipal entity onto the audit committee.

Internal audit

The municipality has employed a team of four internal auditors during the year under review.

6. Interest in controlled entities

Name of controlled entity Country of incorporation if not the
RSA

Sekhukhune Development Agency (Pty) Ltd RSA -

SEKHUKHUNE DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL POSITION

as at 30 June 2013

	Note	2013	2012 Restated
		R	R
ASSETS			
Current assets			
Cash and cash equivalents	1	273 351 509	216 109 352
Trade and other receivables from exchange transactions	2	106 920 877	16 074 003
Other receivables from non-exchange transactions	3	110 394 589	46 656 592
Inventories	4	1 211 231	1 723 707
VAT receivable	9	52 414 999	1 103 324
Non-current assets			
Property, plant and equipment	6	1 947 713 256	1 684 134 101
Total assets		2 492 006 461	1 965 801 081
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	7	116 412 701	197 034 355
Current portion operating lease	8	262 101	120 792
Current provisions	10	25 132 298	21 417 874
Current portion of unspent conditional grants and receipts	11	348 464 618	142 609 897
Current portion of borrowings	13	695 294	642 839
Current portion of finance lease liability	14	457 317	598 376
Non-current liabilities			
Non-current operating lease	12	188 272	450 373
Non-current borrowings	13	3 901 247	4 596 538
Non-current finance lease liability	14	(0)	427 551
Non-current provisions	15	14 654 144	16 491 147
Total liabilities		510 167 992	384 389 741
Net assets		1 981 838 469	1 581 411 340
NET ASSETS			
Reserves		-	-
Accumulated surplus / (deficit)		1 981 838 469	1 581 411 340
Total net assets		1 981 838 469	1 581 411 340

SEKHUKHUNE DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
for the year ending 30 June 2013

	Note	2013 R	2012 R
Revenue			
Property rates	16	-	-
Property rates - penalties imposed and collection charges	16	-	-
Service charges	16	40 453 551	31 664 800
Rental of facilities and equipment	17	-	-
Interest earned - external investments	17	11 381 921	12 320 614
Interest earned - outstanding receivables	18	4 296 416	1 179 442
Fines		-	-
Licences and permits		-	-
Government grants and subsidies	19	908 854 133	663 529 798
Public contributions and donations	32	-	-
Other income	23	2 456 729	2 171 332
Total revenue		967 442 751	710 865 986
Expenses			
Employee related costs	24	215 196 481	189 958 257
Remuneration of councillors	25	10 008 271	8 329 389
Debt impairment		2 888 852	11 632 340
Water related expenses		1 436 399	14 323 476
Depreciation and amortisation expense	26	52 590 590	48 802 676
Impairment Loss/(Reversal)	33	(1 027 161)	
Repairs and maintenance		2 754 684	7 543 408
Finance costs	27	616 327	1 248 381
Bulk purchases	28	73 340 836	91 329 719
VIP sanitation	29	64 513 805	-
Grants and subsidies paid	30	1 812 279	1 478 832
General expenses	31	142 884 262	164 428 981
Total expenses		567 015 625	539 075 459
Gain / (loss) on sale of assets	32	-	-
(Impairment loss) / Reversal of impairment loss	33	-	-
Profit / (loss) on fair value adjustment	34	-	-
Inventories: (Write-down) / reversal of write-down to net realisable value	4	-	-
Surplus / (deficit) for the period		400 427 126	171 790 526

SEKHUKHUNE DISTRICT MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS

as at 30 June 2013

	Revaluation Reserve	Other reserves	Total: Reserves	Accumulated Surplus/(Deficit)	Total: Net Assets
Note	R	R	R	R	R
Balance at 30 June 2011			-	3 117 578 574	3 117 578 574
Changes in accounting policy					-
Correction of prior period error	36			(1 694 491 030)	(1 694 491 030)
Restated balance	37				
Surplus / (deficit) on revaluation of property of property, plant and equipment	-	-	-	1 423 087 544	1 423 087 544
<i>Other items</i>					-
<i>Other items</i>					-
Net gains and losses not recognised in the statement of financial performance					-
Transfers to / from accumulated surplus/(deficit)		-	-	-	-
Surplus / (deficit) for the period				171 790 528	171 790 528
Balance at 30 June 2012	-	-	-	3 289 369 102	3 289 369 102
Correction of prior period error				(1 707 957 762)	(1 707 957 762)
Changes in accounting policy				-	-
Restated balance	-	-	-	1 581 411 340	1 581 411 340
Surplus / (deficit) on revaluation of property of property, plant and equipment					-
<i>Other items</i>					-
<i>Other items</i>					-
Net gains and losses not recognised in the statement of financial performance					-
Transfers to / from accumulated surplus/(deficit)					-
Surplus / (deficit) for the period				400 427 126	400 427 126
Balance at 30 June 2013	-	-	-	1 981 838 471	1 981 838 471

SEKHUKHUNE DISTRICT MUNICIPALITY			
CASH FLOW STATEMENT			
as at 30 June 2013			
	Note	2013 R	2012 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		1 071 906 405	853 995 491
Taxation			
Sales of goods and services		26 615 315	40 898 369
Grants		1 038 537 944	794 478 177
Interest received		4 296 416	13 500 056
Other receipts		2 456 729	5 118 889
Payments		691 727 963	383 828 157
Employee costs		225 204 752	185 858 273
Suppliers		465 906 884	196 721 503
Interest paid		616 327	1 248 381
Net cash flows from operating activities	34	380 178 442	470 167 334
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets (PPE)		(321 865 896)	(272 239 784)
Proceeds from sale of fixed assets			
Proceeds from sale of investments			
Purchase of intangibles			
Decrease/(Increase) in Loans and receivables			
Net cash flows from investing activities		(321 865 896)	(272 239 784)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings			
Repayment of borrowings		(642 839)	(594 334)
Proceeds from finance lease liability			
Repayment of finance lease liability		(427 551)	(636 853)
Net cash flows from financing activities		(1 070 389)	(1 231 187)
Net increase / (decrease) in net cash and cash equivalents		57 242 157	196 696 363
Net cash and cash equivalents at beginning of period		216 109 352	19 412 989
Net cash and cash equivalents at end of period	35	273 351 509	216 109 352

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised

Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus on

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and

liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including specific variables, i.e. production estimates, supply demand], together with economic factors such as economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

1.1 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Property, plant and Equipment

Property, plant and Equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

municipality; and

☐ it is probable th

☐ the cost of the item can be measured reliably.

Property, plant and Equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management. Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and Equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, Plant and Equipment is carried at revalued amount at the adoption of local municipality valuation roll, being the fair subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset. Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and Equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and Equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and Equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	15-30 years
Furniture and fixtures	3-10 years
Motor vehicles	5-7 years
Office equipment	3-10 years

Infrastructure

Roads, pavements, bridges and storm water	1-100 years
Water reservoirs and reticulation	5-80 years
Street names, signs and parking meters	7-20 years

Community

Parks and gardens	10-30 years
Sport fields	20-30 years
Community halls	30 years
Security measures	3-10 years
Specialised vehicles	15-20 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

1.2 Property, plant and Equipment

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.3 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - > a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
 - > an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.4 Investments in controlled entities

Investments in controlled entities are carried at cost less any accumulated impairment.

The cost of an investment in controlled entity is the aggregate of:

issued by the municipality; plus

☐ the fair value

☐ any costs directly attributable to the purchase of the

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.5 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- ☐ Held-to-maturity investment
- ☐ Loans and receivables
- ☐ Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale. Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Loans to (from) economic entities

These include loans to and from controlling entities, fellow controlled entities, controlled entities, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to economic entities are classified as loans and receivables.

Loans from economic entities are classified as financial liabilities measured at amortised cost.

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Financial liabilities and equity instruments

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- ☐ A gain or loss is recognised in surplus or deficit;
- ☐ A gain or loss is recognised in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- ☐ For financial liabilities, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- ☐ distribution at no charge or for a nominal charge; or
☐ consumption in

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.9 Provisions and contingencies

Provisions are recognised when:

- ☐ the municipality has a present obligation as a result of a past event;
☐ it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- ☐ a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Accounting Policies

1.9 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

☐ has a detailed formal plan for the restructuring, identifying

- the activity/operating unit or part of a activity/operating unit concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for services being terminated;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

☐ has a

plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

☐ necessarily entailed by the restructuring; and

☐ not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

☐ the amount that would be recognised as a provision; and

☐ the amount initially recognised less cumulative amortisation

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 34.

1.10 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

☐ the municipality has transferred ownership of the goods to the customer and has no continuing involvement in the goods;
☐ the municipality

ownership nor effective control over the goods sold;

☐ the amount of revenue can be measured reliably;

☐ it is probable

that the municipality will receive the consideration from the customer;

☐ the costs incurred or to be incurred by the municipality in relation to the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

☐ the amount of revenue can be measured reliably;

☐ it is probable

that the municipality will receive the consideration from the customer;

☐ the stage of completion of the transaction can be measured reliably;

☐ the costs incurred or to be incurred by the municipality in relation to the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- ☐ It is probable
 - ☐ The amount of the revenue can be measured reliably.
- municipality, and

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.11 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation. Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or

regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.
Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the fair value of the debt forgiven. Where debt is carried at a value other than fair value, the receivable is recognised at the carrying amount.

1.12 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.13 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.14 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current. Borrowing costs are recognised as an expense in the period in which they are incurred.

1.15 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.16 Unauthorised expenditure

Unauthorised expenditure means:

- ☐ overspending of a vote or a main division within a vote; and
- ☐ expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law.

Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.20 Presentation of currency

These annual financial statements are presented in South African Rand.

1.21 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.22 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.23 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation: Years	Effective date: beginning on or after
GRAP 2: Changes in Existing Decommissioning, Restoration and Similar Liabilities	April 01, 2011
IGRAP 3: Determining Whether an Arrangement Contains a Lease	April 01, 2011
IGRAP 4: Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	April 01, 2011
IGRAP 5: Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies	April 01, 2011
IGRAP 6: Loyalty Programmes	April 01, 2011
IGRAP 8: Agreements for the Construction of Assets from Exchange Transactions	April 01, 2011
IGRAP 9: Distributions of Non-cash Assets to Owners	April 01, 2011
IGRAP 10: Assets Received from Customers	April 01, 2011
IGRAP 13: Operating Leases – Incentives	April 01, 2011
IGRAP 14: Evaluating the Substance of Transactions Involving the Legal Form of a Lease	April 01, 2011
GRAP 15: Revenue – Barter Transactions Involving Advertising Services	April 01, 2011
GRAP 1 (as revised 2010): Presentation of Financial Statements	April 01, 2011
GRAP 2 (as revised 2010): Cash Flow Statements	April 01, 2011
GRAP 3 (as revised 2010): Accounting policies, Changes in Accounting Estimates and Errors	April 2011
GRAP 4 (as revised 2010): The Effects of Changes in Foreign Exchange Rates	April 2011
GRAP 9 (as revised 2010): Revenue from Exchange Transactions	April 2011

GRAP 10 (as revised 2010): Financial Reporting in Hyperinflationary Economies	April 2011
GRAP 11 (as revised 2010): Construction Contracts	April 01, 2011
GRAP 12 (as revised 2010): Inventories	April 01, 2011
GRAP 13 (as revised 2010): Leases	April 01, 2011
GRAP 14 (as revised 2010): Events After the Reporting	April 01, 2011
GRAP 16 (as revised 2010): Investment Property	April 01, 2011
GRAP 17 (as revised 2010): Property, Plant and Equipment	April 01, 2011
GRAP 19 (as revised 2010): Provisions, Contingent Liabilities and Contingent Assets	April 01, 2011
GRAP 100 (as revised 2010): Non-current Assets Held for Sale and Discontinued Operations	April 01, 2011
GRAP 105: Transfers of functions between entities under common control	April 01, 2011

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 01, 2012 or later periods:

Expected impact:

GRAP 18: Segment Reporting	April 01, 2011
GRAP 24: Presentation of Budget Information in the Financial Statements	April 01, 2011
GRAP 103: Heritage Assets	April 01, 2011
GRAP 21: Impairment of non-cash-generating assets	April 01, 2011
GRAP 26: Impairment of cash-generating assets	April 01, 2011
GRAP 104: Financial Instruments	April 01, 2011
GRAP 7: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	April 01, 2011
GRAP 106: Transfers of functions between entities not under common control	April 01, 2014
GRAP 107: Mergers	April 01, 2014
GRAP 20: Related parties	April 01, 2013

SEKHUKHUNE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	2012 R
1 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents consist of the following:			
Cash on hand			-
Cash at bank		116 094 116	116 094 116
Call deposits		169 041 822	100 015 236
		<u>273 351 509</u>	<u>216 109 352</u>
The Municipality has the following bank accounts: -			
<u>Savings Account (Primary Bank Account)</u>			
Absa Bank Limited: Account Number 2069575541			-
Nedbank Bank Limited -: Account Number		102 642 482	100 000 000
Standard Bank Limited -Branch: Account Number 334783232			14 167
Stanlib Bank Account number 75434450, 551964478		-	
Fnb Bank Account number : 62396245477		1 667 213	
Cash book balance at beginning of year		<u>116 094 116</u>	<u>100 014 167</u>
Cash book balance at end of year		<u>169 041 822</u>	<u>116 094 116</u>
Bank statement balance at beginning of year		<u>161 377 768</u>	<u>30 087 976</u>
Bank statement balance at end of year		<u>202 941 133</u>	<u>161 377 768</u>

SEKHUKHUNE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	2012 R
TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS	Gross Balances	Provision for Doubtful Debts	Net Balance
<u>Trade receivables</u>	R	R	R
as at 30 June 2013			
Service debtors			
Water	55 282 264	(26 556 188)	28 745 065
Total	55 282 264	(26 556 188)	28 745 065
<u>Other receivables</u>	80 413 258	(2 237 445)	78 175 812
Other receivables	80 413 258	(2 237 445)	78 175 812
Total Trade and other receivables	135 695 522	(28 793 633)	106 920 877
as at 30 June 2012			
Service debtors			
Water	16 074 103	-	16 074 003
	-	-	-
	-	-	-
Total	16 074 103	-	16 074 003
<u>Other receivables</u>	-	-	-
Other receivables	-	-	-
Total Trade and other receivables	16 074 103	-	16 074 003
2.1 Water and other debtors: Ageing			
Current (0 – 30 days)		57 633 082	2 455 340
31 - 60 Days		30 379 549	2 153 831
61 - 90 Days		1 386 365	538 777
91 - 120 Days		2 425 260	407 061
121 - 365 Days+		43 890 254	10 518 994
Less provision for doubtful debt		-28 793 633	
Total		106 920 877	16 074 003
2.2			
<u>Summary of Debtors by Customer</u>	Consumers	Industrial / Commercial	National and Provincial Government
<u>Classification: SEKHUKHUNE DEBT BOOK</u>			
	R	R	R
as at 30 June 2013			
Current (0 – 30 days)	323 637	5 843 752	46 188 148
31 - 60 Days	313 903	75 298	7 690
61 - 90 Days	346 262	270 352	26 744 337
91 - 120 Days	309 615	50 908	36 645
121 - 365 Days	340 337	65 733	21 310
+ 365 Days	8 123 038	2 343 475	205 290
Sub-total	9 756 793	8 649 518	73 203 421
Total debtors by customer classification	9 756 793	8 649 518	73 203 421
as at 30 June 2012			
Current (0 – 30 days)	342 513	135 607	5 785 704
31 - 60 Days	409 524	70 025	1 511 400
61 - 90 Days	343 408	2 309 855	1 793 274
91 - 120 Days	361 729	91 403	9 625 739
121 - 365 Days	336 611	71 484	2 535 562
+ 365 Days	3 522 825	2 070 956	148 438
Sub-total	5 316 610	4 749 330	21 400 118
Total debtors by customer classification	5 316 610	4 749 330	21 400 118

SEKHUKHUNE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

Note	2013 R	2012 R
------	-----------	-----------

Summary of Debtors by Customer Classification for debt billed at the local municipalities acting as municipal agents could not be disclosed because of their financial system being unable to classify debtors per category per service. Therefore the above classification per customer relates to debtors directly billed by the district

2.3 Reconciliation of the doubtful debt provision

Balance at beginning of the year	29 475 708	17 843 368
Contributions to provision	2 237 445	11 632 340
Doubtful debts written off against provision	-	-
Reversal of provision	(2 919 521)	-
Balance at end of year	28 793 633	29 475 708

3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Employee costs in advance	-	-
Interest paid	-	500 072
Local Municipalities	37 132 064	18 788 423
Guarantee payments made (refer note)	60 286 116	-
Unauthorized expenditure (see Note 50.1)	-	-
Other debtors	12 976 408	27 368 097
Prepayments (if not material)	-	-
Total Other Debtors	110 394 589	46 656 592

A bank guarantee amounting to R 78 522 529.07 for RBIG grant was made for purchase of materials. The transfer is classified as a debtor. The amount represents the balance outstanding after part materials delivered and part guarantee amount released. (Refer to note 22)

4 INVENTORIES

Opening balance of inventories:	1 723 707	1 916 665
Consumable stores - at cost	1 575 590	1 768 548.15
Maintenance materials - at cost	-	-
Spare parts – at net realisable value	-	-
Other goods held for resale – at cost	-	-
Water	148 117	148 117
Additions:	(512 476)	(192 958)
Consumable stores	(540 159)	(192 958)
Maintenance materials	-	-
Spare parts	-	-
Other goods held for resale	-	-
Water	27 683	-

SEKHUKHUNE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

Note	2013 R	2012 R
Write-down / (reversal of write-down) to Net Replacement Value (NRV) or Net Replacement Cost (NRC):	-	-
Consumable stores	-	-
Maintenance materials	-	-
Spare parts	-	-
Other goods held for resale	-	-
Water	-	-
Closing balance of inventories:	1 211 231	1 723 707
Consumable stores	1 035 431	1 575 590
Maintenance materials	-	-
Spare parts	-	-
Other goods held for resale	-	-
Water	175 800	148 117

SEKHUKHUNE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

6 PROPERTY, PLANT AND EQUIPMENT

6.1 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R
as at 1 July 2012	11 398 427	19 935 290	1 638 631 181	13 301 233	867 972	1 684 134 101
Cost/Revaluation	96 307 579	10 184 871	5 061 679 655	17 450 867	5 213 882	5 190 836 852
Correction of error (note 37)	(21 547 351)	12 683 698	(1 727 364 443)	2 310 520		(1 733 917 576)
Change in accounting policy				-		-
Accumulated depreciation and impairment losses	(63 361 801)	(2 933 279)	(1 695 684 031)	(6 460 153)	(4 345 910)	(1 772 785 175)
Acquisitions	-	91 718	314 358 133	998 124	-	315 447 975
Capital under Construction	-	-	-	-	-	-
Depreciation	(75 298)	(1 650 897)	(47 934 801)	(2 391 075)	(538 520)	(52 590 590)
Carrying value of disposals	-	-	-	(305 393)	-	(305 393)
Cost/Revaluation	-	-	-	(413 205)	-	(413 205)
Accumulated depreciation and impairment losses	-	-	-	107 813	-	107 813
Impairment loss/Reversal of impairment loss	-	-	1 027 161	-	-	1 027 161
Transfers	-	-	-	-	-	-
as at 30 June 2013	11 323 129	18 376 112	1 906 081 674	11 602 889	329 452	1 947 713 256
Cost/Revaluation	11 699 618	26 630 597	2 153 397 291	17 060 715	5 213 882	2 214 002 103
Accumulated depreciation and impairment losses	(376 489)	(8 254 485)	(247 315 617)	(5 457 826)	(4 884 430)	(266 288 847)

*Other movements consist of

Refer to Appendix B for more detail on property, plant and equipment

[App B!A1](#)

SEKHUKHUNE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

6.2 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R
as at 1 July 2011	11 398 427	19 703 073	1 428 866 130	11 433 608	1 456 587	1 472 857 824
Cost/Revaluation	11 699 618	24 618 386	1 582 116 510	13 616 727	5 213 882	1 637 265 123
Correction of error (note 37)						-
Change in accounting policy (note 38)						-
Accumulated depreciation and impairment losses	(301 191)	(4 915 313)	(153 250 380)	(2 183 119)	(3 757 295)	(164 407 299)
Acquisitions	-	-	292 513 601	2 859 072	-	295 372 673
Capital under Construction	-	1 920 493	(35 590 953)	-	-	(33 670 460)
Depreciation	-	(1 688 275)	(46 977 597)	(991 443)	(588 615)	(50 245 930)
Carrying value of disposals	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
as at 30 June 2012	11 398 427	19 935 291	1 638 631 181	13 301 236	867 972	1 684 134 100
Cost/Revaluation	11 699 618	26 538 879	1 839 039 158	16 475 799	5 213 882	1 898 967 330
Accumulated depreciation and impairment losses	(301 191)	(6 603 588)	(200 407 978)	(3 174 562)	(4 345 910)	(214 833 229)

*Other movements consist of

Refer to Appendix B for more detail on property, plant and equipment

[App B\IA1](#)

SEKHUKHUNE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	2012 R
7 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS			
Trade creditors		18 638 254	83 489 625
Payments received in advance		120 371	309 747
Retentions		96 577 052	112 866 015
Unknown deposit		444 802	294 915
Local Municipalities		632 222	74 053
Total creditors		116 412 701	197 034 355

8 CURRENT PORTION OF OPERATING LEASE

Operating lease	262 101	120 792
	-	-
Total operating lease	262 101	120 792

9 VAT RECEIVABLE

VAT receivable	52 414 999	1 103 324
	52 414 999	1 103 324

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

Output VAT on water is declared by local municipalities as municipal agencies. Plans are underway for inclusion of VAT transactions on water into Sekhukhune District Municipality VAT returns

SEKHUKHUNE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	2012 R
10 PROVISIONS			
Performance bonus		4 956 076	4 224 663
Provision for leave		20 176 222	17 193 210
Other provisions		-	-
Total Provisions		25 132 298	21 417 874

Annual bonuses are paid one year in arrear after date of engagement, employee that are on package(costs to company) select to participate in the bonus.

The movement in current provisions are reconciled as follows: -

	Performance Bonus	Provision for leave
as at 1 July 2012	4 224 663	19 213 158
Contributions to provision	731 413	963 064
Expenditure incurred	-	-
as at 30 June 2013	4 956 076	20 176 222
 as at 1 July 2011	 4 224 663	 17 193 210
Contributions to provision	-	-
Expenditure incurred	-	-
as at 30 June 2012	4 224 663	17 193 210

11 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Unspent Conditional Grants from other spheres of Government

MIG Grants	309 266 047	125 741 367.79
FMG	-	1 406 955.61
MSIG	-	-
WSOG	37 627 293	13 890 295.00
RTSIG	1 571 279	1 571 279.00
Total Unspent Conditional Grants and Receipts	348 464 618	142 609 897

12 Non-current operating lease	188 272	450 373
---------------------------------------	----------------	----------------

SEKHUKHUNE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	2012 R
13 BORROWINGS			
Annuity Loans		3 901 247	4 596 538
Other borrowings		-	-
		3 901 247	4 596 538
Current portion transferred to current liabilities		695 294	642 839
Local Registered Stock Loans		-	-
Annuity Loans		695 294	642 839
Government Loans : Other		-	-
Other borrowings		-	-
Total borrowings		4 596 541	5 239 376

Refer to Appendix A for more detail on borrowings.

App A!A1

14 FINANCE LEASE LIABILITY

2013	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Amounts payable under finance leases			
Within one year			
Within two to five years			
	-	-	457 317
Less: Amount due for settlement within 12 months (current portion)			(457 317)
			(0)

The average lease term is 3-5 years and the average effective borrowing rate is 15%. Interest rates are fixed at the contract date. No arrangements have been entered into for contingent rent.

2012	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Amounts payable under finance leases			
Within one year	1 642 254	616 327	1 025 927
Within two to five years			
	1 642 254	616 327	1 025 927
Less: Amount due for settlement within 12 months (current portion)			(598 376)
			427 551

SEKHUKHUNE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	2012 R
15 NON-CURRENT PROVISIONS			
Provision for rehabilitation of landfill sites		8 782 941	8 599 996
Provision for long-service awards		5 871 203	7 891 151
Total Non-Current Provisions		14 654 144	16 491 147

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal in fetakgomo as a result of the power and functions over management of solid waste disposal site given to the district municipality .

Provision for rehabilitation of landfill sites:

Balance at the beginning of year	(8 782 941)	(8 599 996)
Contributions to provision	-	-
Expenditure incurred	-	-
Increase in provision due to discounting	-	-
Transfer to current provisions	-	-
Balance at the end of year	(8 782 941)	(8 599 996)

Provision for long-service awards:

Balance at the beginning of year	7 891 151	2 755 151
Contributions to provision	-	5 136 000
Expenditure incurred	-	-
Decrease in provision	(2 019 948)	-
Transfer to current provisions	-	-
Balance at the end of year	5 871 203	7 891 151

SEKHUKHUNE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	2012 R
16 SERVICE CHARGES			
Sale of electricity		-	-
Sale of water		33 546 772	26 065 965
Refuse removal		-	-
Sewerage and sanitation charges		6 906 779	5 598 834
Total Service Charges		40 453 551	31 664 800

17 INTEREST EARNED - EXTERNAL INVESTMENTS

Bank	2 308 672	2 034 023
Savings accounts(investment)	2 308 672	10 286 592
Total interest	11 381 921	12 320 614

18 INTEREST EARNED - OUTSTANDING RECEIVABLES

Total interest	4 296 416	1 179 442
-----------------------	------------------	------------------

19 GOVERNMENT GRANTS AND SUBSIDIES

Equitable share	365 585 000	330 877 000
MIG Grant	234 023 321	218 466 632
Other Government Grants and Subsidies	309 245 812	114 186 166
FMG Grant	1 656 956	1 250 000
MSIG Grant	1 000 000	790 000
WSOG	17 730 854	31 447 268
RTSIG	1 776 000	115 721
RBIG	277 157 268	73 169 937
ACIP	4 808 586	4 671 240
EPWP	3 124 000	2 742 000
Total Government Grant and Subsidies	908 854 133	663 529 798

21.1 Equitable Share

In terms of the Constitution, this grant is used unconditional grant

21.2 MIG Grant

Balance unspent at beginning of year	125 741 367.79	-
Current year receipts	417 548 000	344 208 000
Conditions met - transferred to revenue	-234 023 321	(218 466 632)
Conditions still to be met - remain liabilities (see note 21)	309 266 047	125 741 368

A guarantee for materials for construction of VIP toilets was concluded with the bank amounting to R 150 990 949 on behalf service provider(see note 11).

21.3 Other Government Grants and Subsidies

FMG GRANT

Balance unspent at beginning of year	1 406 956.00	1 406 956
Current year receipts	1 250 000	1 250 000
Returned to national fiscus	(1 000 000)	-
Conditions met - transferred to revenue	(1 656 956)	(1 250 000)
Conditions still to be met - remain liabilities (see note 21)	-	1 406 956

SEKHUKHUNE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	2012 R
21.4 MSIG GRANT			
Balance unspent at beginning of year		-	-
Current year receipts		1 000 000	790 000
Conditions met - transferred to revenue		(1 000 000)	(790 000)
Conditions still to be met - remain liabilities (see note 21)		<u>-</u>	<u>-</u>
21.5 WSOG GRANT			
Balance unspent at beginning of year		13 890 295.00	6 229 563
Current year receipts		43 460 000	39 108 000
Conditions met - transferred to revenue		(17 730 854)	(31 447 268)
Conditions still to be met - remain liabilities (see note 21)		<u>39 619 441</u>	<u>13 890 295</u>
21.6 RTSIG GRANT			
Balance unspent at beginning of year		1 571 279	-
Current year receipts		1 779 000	1 687 000
Conditions met - transferred to revenue		(1 779 000)	(115 721)
Conditions still to be met - remain liabilities (see note 21)		<u>1 571 279.00</u>	<u>1 571 279</u>
21.7 EPWP GRANT			
Balance unspent at beginning of year		-	-
Current year receipts		-	-
Conditions met - transferred to revenue		-	-
Conditions still to be met - remain liabilities (see note 21)	<u>Notes 15-61 and A124</u>	<u>3 124 000</u>	<u>2 742 000</u>
		<u>(3 124 000)</u>	<u>(2 742 000)</u>
		<u>-</u>	<u>-</u>

SEKHUKHUNE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	2012 R
22 GUARANTEE MADE RBIG			
Guarantees made			78 522 529
Guarantees released			(18 236 413)
Balance			60 286 116

Guarantee were made with Standard bank and FNB for materials for RBIG projects

23 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS

23.1 Other income			
Other income		2 456 729	2 171 332
Recovery of unauthorised, irregular, fruitless and wasteful expenditure	Notes 15-61/A684	-	-
Total Other Income		2 456 729	2 171 332

24 EMPLOYEE RELATED COSTS

	2013 215 196 481	2012 189 958 257
Employee related costs - Salaries and Wages	133 733 913	122 730 518
Employee related costs - Contributions for UIF, pensions and medical aids	27 926 305	23 843 199
Travel, motor car, accommodation, subsistence and other allowances	19 978 772	13 417 921
Housing benefits and allowances	1 672 698	2 265 154
Overtime payments	12 031 860	2 277 441
Performance and other bonuses	10 940 447	18 110 026
Long-service awards	-	-
Other employee related costs	1 235 267	1 753 415
Employee Related Costs	207 519 264	184 397 674

There were no advances to employees / Loans to employees are set out in note 3.

Remuneration of the Municipal Manager

Annual Remuneration	1 029 148	199 932
Acting Allowance		27 734
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	235 205	50 380
Contributions to UIF, Medical and Pension Funds	209 211	12 281
Total	1 473 563	290 327

Remuneration of the Chief Finance Officer

Annual Remuneration	483 668	-
Acting Allowance		314 261
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	134 887	-
Contributions to UIF, Medical and Pension Funds	84 004	-
Total	702 558	314 261

Remuneration of Individual Executive Directors	Technical Services R	Corporate Services R	Community Services R
2013			
Annual Remuneration	1 142 204	770 383	880 527
Performance- and other bonuses	-	-	-
Travel, motor car, accommodation, subsistence and other allowances	265 363	198 061	113 042
Contributions to UIF, Medical and Pension Funds	14 386	59 290	23 055
Total	1 421 953	1 027 734	1 016 624

	Technical Services R	Corporate Services R	Community Services R
2012			
Annual Remuneration	85 880	716 333	807 281
Acting Allowance	120 660		
Travel, motor car, accommodation, subsistence and other allowances	12 640	148 873	149 916
Performance- and other bonuses	-	-	-
Contributions to UIF, Medical and Pension Funds	129	36 338	1 547
Total	219 309	901 544	958 744

SEKHUKHUNE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	2012 R
			Director - Executive Mayor Office R
Remuneration of Individual Executive Directors	Director Planning R	Chief Audit Executive R	
2013			
Annual Remuneration	762 460	713 841	-
Performance- and other bonuses	-	-	-
Travel, motor car, accommodation, subsistence and other allowances	182 711	217 413	-
Contributions to UIF, Medical and Pension Funds	44 248	114 111	-
Total	989 420	1 045 365	-
	Director Planning R	Chief Audit Executive R	Director - Executive Mayor Office R
2012			
Annual Remuneration	178 719	454 848	450 715
Acting Allowance	190 894	-	-
Travel, motor car, accommodation, subsistence and other allowances	40 931	223 732	149 691
Performance- and other bonuses	-	41 681	54 858
Contributions to UIF, Medical and Pension Funds	5 819	18 737	12 169
Total	416 363	738 998	667 433
Remuneration of the Chief Operation Officer			
Annual Remuneration			539 404
Car and other allowances			313 886
Lumpsum payout			176 497
Travel, motor car, accommodation, subsistence and other allowances			-
Contributions to UIF, Medical and Pension Funds			23 817
Total		-	1 053 604

All directors, non executive managers and other officials are entitled to use of cellphone at council at cost

25 REMUNERATION OF COUNCILLORS

Executive Mayor	713 842	688 581
Annual Remuneration	440 564	411 995
Travel, motor car, accommodation, subsistence and other allowances	193 621	188 738
Contributions to UIF, Medical and Pension Funds	79 656	87 848
Speaker	707 940	649 837
Annual Remuneration	348 104	334 533
Travel, motor car, accommodation, subsistence and other allowances	294 190	255 807
Contributions to UIF, Medical and Pension Funds	65 646	59 497
Mayoral Committee Members	4 239 165	3 949 434
Annual Remuneration	2 242 283	2 197 873
Travel, motor car, accommodation, subsistence and other allowances	1 640 304	1 401 062
Contributions to UIF, Medical and Pension Funds	356 579	350 499
Councillors	2 038 874	1 713 023
Councillors' pension and medical aid contributions	250 896	191 780
Councillors' allowances	2 057 554	1 136 734
Total Councillors' Remuneration	10 008 271	8 329 389

In-kind Benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor is entitled to stay at the mayoral residence owned by the Council at no cost. The Executive Mayor has use of the Council owned vehicle for official duties. The Executive Mayor has three full-time Chauffeurs..

SEKHUKHUNE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	2012 R
26 DEPRECIATION AND AMORTISATION EXPENSE			
Property, plant and equipment		52 590 590	48 802 676
Total Depreciation and Amortisation		52 590 590	48 802 676
27 FINANCE COSTS			
Borrowings		616 327	1 248 381
Total Finance Costs		616 327	1 248 381
28 BULK PURCHASES			
Electricity		21 510 103	18 406 819
Water		51 830 733	72 922 899
Total Bulk Purchases		73 340 836	91 329 719
29 VIP SANITATION		64 513 805	-
30 GRANTS AND SUBSIDIES PAID			
Grant/subsidy to Sekhukhune Development Agency		1 812 279	1 478 832
		1 812 279	1 478 832

Expenses incurred for Sekhukhune Development Agency (SDA) are paid within the Sekhukhune District Municipality. A vote for SDA is created and reclassified as grant expenditure

SEKHUKHUNE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	2012 R
31 GENERAL EXPENSES			
Included in general expenses are the following:-			
Advertising		628 747	711 465
Assessment rates and municipal charges		833 689	545 311
Audit fees		2 772 472	4 327 564
Bank charges		152 090	131 159
Bursaries		-	-
Chemicals		8 908 582	4 662 016
Computer expense		31 660	190 288
Gardern and Cleaning Services		-	-
Motor Vehicle expense		587 409	4 936 041
Consumables		1 063 083	1 966 443
Commission paid		-	9 499 365
Magazine, Books and periodicals		86 790	6 500
Entertainment		172 903	209 759
Financial management grant		1 190 312	690 689
Fuel and oil		9 347 607	5 656 654
Insurance		2 590 965	1 890 670
Placements fees		321 983	596 399
Levies paid		-	63 428
Promotions and Sponsorship		-	207 359
Licence fees - Vehicle		58 699	90 378
Subcriptions and Membership fees		3 548 579	250 527
Community development		5 072 725	8 284 577
Postage		-	-
Printing and stationery		46 147	112 789
Professional fees		15 327 652	32 683 369
Lease Rental on operating lease		6 590 177	5 491 096
Rental of office equipment		-	-
Rental of computer equipment		-	-
Other rentals		-	-
Security costs		13 565 864	13 095 191
Restoration of landfill sites		-	3 311 001
Protective clothing		116 709	293 002
Stocks and material		-	-
Project Maintanance Costs		13 689 020	9 588 706
Telephone cost		2 345 511	4 039 985
Training		-	95 494
Fleet management system		13 218 216	11 164 435
Travel and subsistence		4 773 380	12 113 027
Markerting the district		1 929 217	2 188 915
IT expense		2 291 694	2 459 541
Water and Sanitation		21 533 818	14 637 462
Other		10 088 560	8 238 374
		142 884 262	164 428 981
32 GAIN / (LOSS) ON SALE OF ASSETS			
Property, plant and equipment		-	-
Intangible assets		-	-
Investment property		-	-
Biological assets		-	-
Other financial assets		-	-
Total Gain / (Loss) on Sale of Assets		-	-

SEKHUKHUNE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	2012 R
33 IMPAIRMENT LOSS / (REVERSAL OF IMPAIRMENT LOSS)			
Impairment loss/(reversal)		(1 027 161)	16 864 709
PPE carrying value		4 718 459	22 979 642
PPE Recoverable value		5 745 620	6 114 933
34 CASH GENERATED BY OPERATIONS			
Surplus/(deficit) for the year		400 427 126	171 790 526
Adjustment for:-			
Depreciation and amortisation		52 590 590	48 802 676
Provision for long service awards		-	-
Contribution to provisions - non-current		(1 837 003)	-
Contribution to provisions - current		3 714 424	-
Other adjustment-operating lease		35 526	-
Provision for bad debts		(2 919 521)	-
Debt impairment		(2 237 446)	-
Other adjustment		2 982 913	-
Recognition of landfill sites		8 599 996	-
Operating surplus before working capital changes:		461 356 606	220 593 202
(Increase)/decrease in inventories		512 476	907 133
(Increase)/decrease in trade receivables		(63 737 997)	2 926 128
(Increase)/decrease in other receivables		(90 846 874)	9 254 999
(Increase)/decrease in VAT receivable		(51 311 675)	73 010 804
Increase/(decrease) in conditional grants and receipts		205 854 721	130 948 379
Increase/(decrease) in trade payables		(80 621 653)	-
Increase/(decrease) in consumer deposits		-	32 526 689
Increase/(decrease) in VAT payable		-	-
Other asset		-	-
Other liability		-	-
Cash generated by/(utilised in) operations		381 205 604	470 167 334
35 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents included in the cash flow statement comprise the following:			
Bank balances and cash		273 351 509	216 109 352
Net cash and cash equivalents (net of bank overdrafts)		273 351 509	216 109 352

SEKHUKHUNE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	2012 R
36 CHANGE IN ACCOUNTING POLICY		-	-
37 CORRECTION OF ERROR			
During the previous financial year the municipality was unable to account for the fixed assets register relating to immovable for compliance with GRAP 17, due to lack of supporting documents to substantiate the valuation and existence of the assets. The municipality has re-constructed the asset register relating to immovable in order to correct the error.			
Derecognition of infrastructure assets of previously reported in Annual Financials Statements - (Cost)		1 259 378 437	
Fair value of Property, Plant and Equipment previously not recognised, and unbundled (Cost)		(207 312 756)	
Backlog Accumulated depreciation recognised		1 698 617 310	
Derecognition of infrastructure assets of previously reported in Annual Financials Statements - (Cost)		(3 540 740 827)	
Net effect on Statement of Financial Position	-	<u>(790 057 836)</u>	
Net effect on Accumulated surplus opening balance			<u>(790 057 836)</u>
During the year ended 30 June 2012 and previous years, the following were incorrectly recognised: -			
REVENUE			
During the previous financial year, interest on water debtors was understated because of local municipality consumer debtors not recognised as a result of system not apportioning interest per service rather per debtor. An apportionment ratio was applied for the inclusion of the amount.			
CASH AND CASH EQUIVALENT			
During the previous year, cash and cash equivalent was overstated because of invoices paid but not recorded in the cashbook. Retrospective correction was done			
LIABILITIES			
During the current financial year, invoices of work done and/or services rendered in the prior years were submitted for payments. Invoices were received after annual financial statements were issued. The error was retrospectively adjusted			
During the previous years creditors were overstated resulted in invoices that were posted in the previous years as not being owed. The errors resulted in the overstatement of balance in the statement performance and statement of financial position.			
During the previous financial year, water commission payable and water related expenses payable to and receivables from local municipalities were overstated because of incorrect billing reports submitted to the district municipality. The water transactions arose as a result of the local municipalities rendering water services on behalf of the district municipality as water service providers. Confirmations of balances was received.			
INVESTMENT			
During the previous year cash and cash equivalent was overstated due to balance paid out and was receipted against revenue. The correction was corrected in the statement of financial performance and statement of financial position			
DEBTORS			
Sekhukhune District Municipality bought material (Manufacture and Treatment of Steel Pipes) for project Phase 3 while the said project is not planned for implementation			
ASSETS			
During the previous financial year work in progress assets were overstated as a result of assets completed but not transferred to the completed assets. The assets were capitalised in the current year at deemed cost through first implementation of Grap 17			

VAT

SEKHUKHUNE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

Note	2013 R	2012 R
During the previous financial year work in progress assets were overstated as a result of assets completed but not transferred to the completed assets. The assets were capitalised in the current year at deemed cost through first implementation of Grap 17		

The comparative amount has been restated as follows:

Depreciation	13 466 731	
Net effect on surplus/(deficit) for the year	13 466 731	-
Overprovision of cash and cash equivalent	-	(754 693)
Overstatement of creditors in previous years		4 846 367
Accruals were understated due to lack of year-end accrual		(6 459 634)
Overstatement of commission and water related expenses payable to local municipalities		(60 606 213)
Understatement of commission and water related expenses payable to local municipalities		91 991 494
Understatement of debtors not raised in previous		10 574 895
Interest on outstanding water and sewer for two local municipalities recognised. Error adjusted retrospectively		3 383 317
VAT receivable not previously recognised		(30 980 293)
Work in progress overstated		(917 485 106)
Accumulated deprecation overstated		54 848 326
Overstatement of assets		(94 689 682)
Overstatement of provision for rehabilitation of landfill sites		27 431 296
Net effect on Statement of Financial Position	-	(917 899 925)
Net effect on Accumulated surplus opening balance	(904 433 194)	(917 899 925)
PPE- Reconstructed FAR	-	(790 057 836)
38 CHANGE IN ACCOUNTING ESTIMATE	-	-
39 FRUITLESS AND WASTEFUL EXPENDITURE		
Reconciliation of fruitless and wasteful expenditure		
Opening balance -	8 893 271	7 204 157
Fruitless and wasteful expenditure current year	285 966	1 689 114
Condoned or written off by Council		
To be recovered – contingent asset	Notes15-61!A883	(8 066 612)
Fruitless and wasteful expenditure awaiting condonement	1 112 625.00	8 893 271
Incident	Disciplinary steps/criminal proceedings	
Fruitless and wasteful as a results of penalties on late payments		

40 IRREGULAR EXPENDITURE

Reconciliation of irregular expenditure

Opening balance	279 022 272	215 878 250
Irregular expenditure current year	115 842 902	63 144 022
Condoned or written off by Council	-	
Transfer to receivables for recovery – not condoned		
Irregular expenditure awaiting condonement	<u>394 865 174</u>	<u>279 022 272</u>

Incident	
Non-adherence to Supply Chain Management	

SEKHUKHUNE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	2012 R
ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL			
41 FINANCE MANAGEMENT ACT			
41.1 Contributions to organised local government			
Opening balance			
Council subscriptions		1 659 902	203 773
Amount paid - current		(1 659 902)	(203 773)
Amount paid - previous years			
Balance unpaid (included in payables)		<u>-</u>	<u>-</u>
41.2 Audit fees			
Opening balance			
Current year audit fee		(2 663 354)	
Amount paid - current year		2 663 354	
Amount paid - previous years			
Balance unpaid (included in payables)		<u>-</u>	<u>-</u>
41.3 PAYE and UIF			
Opening balance		-	
Current year payroll deductions		28 105 818	24 974 516
Amount paid - current year		(28 105 818)	(24 974 516)
Amount paid - previous years			
Balance unpaid (included in payables)		<u>-</u>	<u>-</u>
The balance represents PAYE and UIF deducted from the June 20X2 payroll. These amounts were paid during July 20X2			
41.4 Pension and Medical Aid Deductions			
Opening balance			
Current year payroll deductions and Council Contributions		39 839 772	33 322 107
Amount paid - current year		(39 839 772)	(33 322 107)
Amount paid - previous years			
Balance unpaid (included in payables)		<u>-</u>	<u>-</u>

SEKHUKHUNE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	2012 R
42 CAPITAL COMMITMENTS			
Commitments in respect of capital expenditure			
- Approved and contracted for		657 342 451	295 296 597
Infrastructure		657 342 451	295 296 597
Community			
Sanitation			
Roads			
- Approved but not yet contracted for		-	121 458 600
Infrastructure		-	121 458 600
Community			
Sanitation			
Other			
Total		657 342 451	416 755 197
This expenditure will be financed from:			
- External Loans			
- Government Grants		657 342 451	416 755 197
- Own resources			
- District Council Grants			
		657 342 451	416 755 197

SEKHUKHUNE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	2012 R
43 RELATED PARTIES			
Sekhukhune Development Agency (SDA)			<i>Development agency</i>
Water service providers			<i>Water provision agency</i>
Ephraim Mogale Mogale Local Municipality			<i>Water provision agency</i>
Greater Tubatse Local Municipality			<i>Water provision agency</i>
Elias Motsoaledi Local Municipality			<i>Water provision agency</i>
Related party transactions			
Grants to SDA		1 812 279	1 478 832
Commission to local municipality		11 501 720	11 501 720
ELIAS MOTSOALEDI LM		3 309 706.60	3 309 706.60
GREATER TUBATSE LM		3 559 114.92	3 559 114.92
EPHRAIM MOGALE LM		4 632 898.63	4 632 898.63
Local municipalities Debtors			
		37 132 064	18 788 423
ELIAS MOTSOALEDI LM		22 306 730.80	12 805 383.08
GREATER TUBATSE LM		4 402 993.03	-
EPHRAIM MOGALE LM		10 422 340.39	5 983 039.94
Municipal Councillors: Councillors Remuneration		10 008 270.79	8 329 388.84

SEKHUKHUNE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	2012 R
44 CONTINGENT LIABILITIES			
44.1	The municipality is involved in number of litigation processes relating to dispute with creditors who alleges that the municipality has defaulted on payments of goods and services rendered on payments of goods and service rendered.		

The claims against the municipality amounts to (2013: R 1 696 323, 2013: R 448 414.)

45 CONTINGENT ASSETS

Municipal council has taken a resolution to recover all fruitless and wasteful expenditures incurred. Investigations were underway
--

46 RISK MANAGEMENT

46.1 Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

These balances represent the maximum exposure to credit risk. The municipality is exposed to a number of guarantees for the overdraft facilities of Group companies and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note {N#} for additional details.

SEKHUKHUNE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	2012 R
46.2 Liquidity risk			
<p>The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.</p> <p>Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.</p>			
46.3 Interest rate risk			
<p>The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 60% of its borrowings in fixed rate instruments.</p>			
47 COMPARISON WITH THE BUDGET			
<p>The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2)</p>			

SEKHUKHUNE DISTRICT MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS
as at 30 June

		Loan number	Redeemable Date	Balance at 30 June -1	Received during the period	Redeemed / written off during the period	Balance at 30 June	Carrying Value of Property, Plant & Equipment
EXTERNAL LOANS				R	R	R	R	R
LEASE LIABILITY								
Finance lease -PPE				1 025 927		(329 214)	1 355 141	329 453
Total long-term loans								
ANNUITY LOAN								
Rustenburg Platinum Mines		None		5 239 373	-	-	5 239 373	
GOVERNMENT LOANS								
- Other @ x%								
Total Government Loans								
TOTAL EXTERNAL LOANS				6 265 300	-	(329 214)	6 594 514	

SEKHUKHUNE DISTRICT MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2013

	Cost / Revaluation						Accumulated Depreciation					Transfers	Carrying Value
	Opening Balance	Additions	Disposals	Other Changes and adjustments	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance		
	R	R	R		R	R	R	R	R	R	R	R	R
Land													
Land	10 550 000	-	-			10 550 000	-	-	-	-	-	-	10 550 000
Landfill Sites	1 149 618	-	-		-	1 149 618	(301 191)	(75 298)	-	-	(376 489)	-	773 129
Quarries	-	-	-		-	-	-	-	-	-	-	-	-
	11 699 618	-	-		-	11 699 618	(301 191)	(75 298)	-	-	(376 489)	-	11 323 129
Buildings	26 538 879	91 718			-	26 630 597	(6 603 588)	(1 650 897)	-	-	(8 254 485)	-	18 376 112
Infrastructure													
Drains	-	-	-		-	-	-	-	-	-	-	-	-
Roads	99 832 162				-	99 832 162	(16 533 122)	(4 986 918)	-	(11 811 201)	(33 331 241)	-	66 500 921
Sewerage Mains & Purification	59 294 764		-		-	59 294 764	(12 977 751)	(3 244 438)	-	-	(16 222 189)	-	43 072 575
Electricity Mains	-	-	-		-	-	-	-	-	-	-	-	-
Electricity Peak Load Equip	-	-	-		-	-	-	-	-	-	-	-	-
Water Mains & Purification	1 062 013 015	990 336	-		30 246 787	1 093 250 139	(154 032 395)	(39 703 445)	-	(4 026 347)	(197 762 187)	-	895 487 952
Reservoirs – Water	-	-	-		-	-	-	-	-	-	-	-	-
Water Meters	-	-	-		-	-	-	-	-	-	-	-	-
Storm Water	-	-	-		-	-	-	-	-	-	-	-	-
Work in progress	617 899 217	313 367 796	-		(30 246 787)	901 020 226	-	-	-	-	-	-	901 020 226
	1 839 039 158	314 358 133	-		-	2 153 397 291	(183 543 268)	(47 934 801)	-	(15 837 548)	(247 315 617)	-	1 906 081 674
Community Assets													
Parks & Gardens	-	-	-		-	-	-	-	-	-	-	-	-
Libraries	-	-	-		-	-	-	-	-	-	-	-	-
Recreation Grounds	-	-	-		-	-	-	-	-	-	-	-	-
Civic Buildings	-	-	-		-	-	-	-	-	-	-	-	-
Stadiums	-	-	-		-	-	-	-	-	-	-	-	-
Halls	-	-	-		-	-	-	-	-	-	-	-	-
Theatre	-	-	-		-	-	-	-	-	-	-	-	-
Swimming Pools	-	-	-		-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-		-	-	-	-	-	-	-	-	-
	-	-	-		-	-	-	-	-	-	-	-	-
Heritage Assets													
Historical Buildings	-	-	-		-	-	-	-	-	-	-	-	-
Paintings & Artifacts	-	-	-		-	-	-	-	-	-	-	-	-
	-	-	-		-	-	-	-	-	-	-	-	-
Total carried forward	1 877 277 655	314 449 851	-	-	-	2 191 727 505	(190 448 047)	(49 660 996)	-	(15 837 548)	(255 946 591)	-	1 935 780 914

SEKHUKHUNE DISTRICT MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2013

	Cost / Revaluation						Accumulated Depreciation					Transfers	Carrying Value
	Opening Balance	Additions	Disposals	Other Changes and adjustments	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance		
	R	R	R		R	R	R	R	R	R	R	R	R
Total brought forward	1 877 277 655	314 449 851	-		-	2 191 727 505	(190 448 047)	(49 660 996)	-	(15 837 548)	(255 946 591)	-	1 935 780 914
Total	1 898 966 912	315 447 975	(413 205)		-	2 214 002 103	(197 968 520)	(52 590 591)	107 813	(15 837 548)	(266 288 847)	-	1 947 713 256

SEKHUKHUNE DISTRICT MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2012

	Cost / Revaluation						Accumulated Depreciation					Transfers	Carrying Value
	Opening Balance	Additions	Disposals	Other Changes and adjustments	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance		
	R	R	R		R	R	R	R	R	R	R	R	R
Land													
Land	10 550 000	-	-			10 550 000	-	-	-	-	-	-	10 550 000
Landfill Sites	1 149 618	-	-		-	1 149 618	(301 191)	-	-	-	(301 191)	-	848 427
Quarries		-	-		-	-		-	-	-	-	-	-
	11 699 618	-	-		-	11 699 618	(301 191)	-	-	-	(301 191)	-	11 398 427
Buildings	24 618 386	-	-		1 920 493	26 538 879	(4 915 313)	(1 688 275)	-	-	(6 603 588)	-	19 935 291
Infrastructure							(12 977 751)	293 827.00					
Drains		-	-		-	-		-	-	-	-	-	-
Roads	94 990 318	-	-		4 841 844	99 832 162	(12 281 132)	(4 251 990)	-	-	(16 533 122)	-	83 299 040
Sewerage Mains & Purification	59 294 764	-	-			59 294 764	(9 660 444)	(3 317 307)	-	-	(12 977 751)	-	46 317 013
Electricity Mains		-	-		-	-		-	-	-	-	-	-
Electricity Peak Load Equip		-	-		-	-		-	-	-	-	-	-
Water Mains & Purification	1 062 013 015	-	-		-	1 062 013 015	(114 624 095)	(39 408 300)	-	-	(154 032 395)	-	907 980 620
Reservoirs – Water		-	-		-	-		-	-	-	-	-	-
Water Meters	-				-	-		-	-	-	-	-	-
Storm Water	-				-	-		-	-	-	-	-	-
Work in progress	365 818 413	292 513 601			(40 432 797)	617 899 217			-	-	-	-	617 899 217
	1 582 116 510	292 513 601	-		(35 590 953)	1 839 039 158	(136 565 671)	(46 977 597)	-	-	(183 543 268)	-	1 655 495 890
Community Assets													
Parks, Clinic & stadiums	-	-	-		-	-	-	-	-	-	-	-	-
Libraries		-	-		-	-		-	-	-	-	-	-
Recreation Grounds		-	-		-	-		-	-	-	-	-	-
Buildings		-	-		-	-		-	-	-	-	-	-
Stadiums		-	-		-	-		-	-	-	-	-	-
Halls		-	-		-	-		-	-	-	-	-	-
Theatre		-	-		-	-		-	-	-	-	-	-
Swimming Pools		-	-		-	-		-	-	-	-	-	-
Cemeteries		-	-		-	-		-	-	-	-	-	-
	-	-	-		-	-	-	-	-	-	-	-	-
Heritage Assets													
Historical Buildings		-	-		-	-		-	-	-	-	-	-
Paintings & Artifacts		-	-		-	-		-	-	-	-	-	-
	-	-	-		-	-	-	-	-	-	-	-	-
Total carried forward	1 618 434 514	292 513 601	-		(33 670 460)	1 877 277 655	(141 782 175)	(48 665 872)	-	-	(190 448 047)	-	1 686 829 608

SEKHUKHUNE DISTRICT MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2012

	Cost / Revaluation						Accumulated Depreciation					Transfers	Carrying Value
	Opening Balance	Additions	Disposals	Other Changes and adjustments	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance		
	R	R	R		R	R	R	R	R	R	R	R	R
Total brought forward	1 618 434 514	292 513 601	-		(33 670 460)	1 877 277 655	(141 782 175)	(48 665 872)	-	-	(190 448 047)	-	1 686 829 608
Other Assets													
Office Equipment	3 140 208	1 347 007	-	1 016 776		5 503 991	(1 246 788)	(572 031)	-	-	(1 818 819)	-	3 685 172
Furniture & Fittings	2 412 680	55 940	-	1 241 050		3 709 669	(731 654)	(300 124)	-	-	(1 031 778)	-	2 677 892
Bins and Containers	9 270	181 371	-	7 210		197 851	(2 874)	(5 832)	-	-	(8 707)	-	189 144
Emergency Equipment	554 697	-	-	950 585		1 505 282	(145 185)	(55 726)	-	-	(200 912)	-	1 304 371
Motor vehicles	1 263 426	1 274 754	-	3 020 825		5 559 005	(56 619)	(57 729)	-	-	(114 348)	-	5 444 657
Fire engines		-	-		-			-	-	-	-	-	-
Refuse tankers		-	-		-			-	-	-	-	-	-
Computer Equipment			-		-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)		-	-		-	-		-	-	-	-	-	-
Other Assets		-			-	-		-		-	-	-	-
	7 380 281	2 859 072	-	6 236 446	-	16 475 799	(2 183 119)	(991 443)	-	-	(3 174 562)	-	13 301 236
Finance Lease Assets													
Office Equipment	5 213 882	-	-		-	5 213 882	(3 757 295)	(588 615)	-	-	(4 345 910)	-	867 972
Other Assets		-	-		-	-		-	-	-	-	-	-
	5 213 882	-	-		-	5 213 882	(3 757 295)	(588 615)	-	-	(4 345 910)	-	867 972
Total	1 631 028 677	295 372 673	-	6 236 446	(33 670 460)	1 898 967 336	(147 722 590)	(50 245 930)	-	-	(197 968 520)	-	1 700 998 816

SEKHUKHUNE DISTRICT MUNICIPALITY
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2013

2012				2013		
Actual Income	Actual Expenditure	Surplus / (Deficit)		Actual Income	Actual Expenditure	Surplus / (Deficit)
R	R	R		R	R	R
	73 930 000	(73 930 000)	Executive & Council		70 509 422	(70 509 422)
899 815 914	174 505 000	725 310 914	Finance & Admin	966 088 027	147 750 464	818 337 563
	9 136 000	(9 136 000)	Planning & Development		9 079 647	(9 079 647)
		-	Health			-
	29 023 000	(29 023 000)	Community & Social Services		28 011 878	(28 011 878)
		-	Public Safety			-
		-	Sport & Recreation			-
		-	Environmental Protection			-
		-	Waste Management			-
		-	Road Transport			-
	265 949 000	(265 949 000)	Water		312 547 626	(312 547 626)
		-	Electricity			-
		-	Other			-
899 815 914	552 543 000	347 272 914		966 088 027	567 899 037	398 188 991
			Less: Inter-Department Charges			
899 815 914	552 543 000	347 272 914	Total	966 088 027	567 899 037	398 188 991

SEKHUKHUNE DISTRICT MUNICIPALITY
APPENDIX E

STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION

as at 30 June 2013

R thousands	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure
	1	2	3	4	5	6	7	8	9
Financial Performance									
Property rates	-	-	-	-		-	-	-	
Service charges	28 055	(103)	27 952	40 454		12 502	144.7%	144.2%	
Investment revenue	7 000	-	7 000	11 382		4 382	162.6%	162.6%	
Transfers recognised - operational	379 195	(12 350)	366 845	376 086		9 241	102.5%	99.2%	
Other own revenue	40 310	4 902	45 212	6 753		(38 459)	14.9%	16.8%	
contributions)	454 560	(7 551)	447 009	434 675		(12 334)	97.2%	95.6%	
Employee costs	198 818	3 214	202 032	215 196	-	13 164	106.5%	108.2%	-
Remuneration of councillors	7 958	400	8 358	10 008		1 650	119.7%	125.8%	-
Debt impairment	-	12 214	12 214	651	-	(11 563)	0.0%	0.0%	-
Depreciation & asset impairment		70 800	70 800	51 796		(19 004)	73.2%	0.0%	-
Finance charges	240	(100)	140	616		476	0.0%	0.0%	-
Materials and bulk purchases	64 210	17 460	81 670	79 694		(1 976)	97.6%	124.1%	-
Transfers and grants	-	-	-			-	-	-	-
Other expenditure	183 334	(27 538)	155 796	209 936		54 140	134.8%	114.5%	4 317
Total Expenditure	454 560	76 450	531 010	567 899	-	36 889	106.9%	124.9%	4 317
Surplus/(Deficit)	-	(84 001)	(84 001)	(133 224)		(49 223)	158.6%	#DIV/0!	
Transfers recognised - capital	814 282	(140 565)	673 717	532 768		(140 949)	0.0%	0.0%	
Contributions recognised - capital & contributed assets			-	-		-	-	-	
Surplus/(Deficit) after capital transfers & contributions	814 282	(224 566)	589 716	399 544		(190 172)	67.8%	49.1%	
Share of surplus/ (deficit) of associate	-	-	-	-		-	-	-	
Surplus/(Deficit) for the year	814 282	(224 566)	589 716	399 544		(190 172)	67.8%	49.1%	